DOCUMENT RESUME

ED 388 140 HE 028 682

AUTHOR	Mason, Selena; Harvey, Lee
TITLE	Funding Higher Education: Student Perspectives.
INSTITUTION	Univ. of Central England, Birmingham.
REPORT NO	ISBN-1-85920-107-5
PUB DATE	95
NOTE	45p.
AVAILABLE FROM	Centre for Research into Quality, University of Central England in Birmingham, Perry Barr, Birmingham B42 2SU, England, United Kingdom (8 British pounds).
PUB TYPE	Reports - Research/Technical (143) -- Tests/Evaluation Instruments (160)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	*College Students; Educational Attitudes; *Educational Finance; *Educational Policy; *Financial Needs; Foreign Countries; Government Role; Higher Education; Models; Program Descriptions; State Universities; *Student Attitudes; *Student Financial Aid; Student Surveys
IDENTIFIERS	University of Central England

ABSTRACT

This report documents the results of a survey of 1,139 students at the University of Central England (UCE) in Birmingham in regard to their financial circumstances and their views on the funding of higher education. The report also examines the advantages and disadvantages of six specific higher education funding proposals put forth in recent years. The survey found that the majority of students received some form of maintenance grant, that more students received financial support from their parents than took out student loans, and that less than five percent of students had received money from either the UCE hardship fund or the access fund. The report recommends that higher education should remain free at the point of entry, that funding should facilitate life-long learning, that higher education administration should be made more efficient and accountable, that distance learners and part-time students should have the same rights as full-time students, and that students should contribute toward the cost of their education as part of a retrospective, income-dependent contribution scheme. Three appendixes provide a copy of the survey form, information on the student sample, and a description of the Australian model of higher education funding. (MDM)

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UCE
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CENTRE FOR RESEARCH INTO QUALITY

FUNDING HIGHER EDUCATION: STUDENT PERSPECTIVES

by

Selena Mason and Lee Harvey

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Funding higher education

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Funding higher education: student perspectives

by
Selena Mason and Lee Harvey

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Centre for Research into Quality
The University of Central England in Birmingham,
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British Library Cataloguing-in-Publication Data.
A catalogue record for this book is available from the British Library
ISBN 1 85920 107 5

Design and layout by Selena Mason and Lee Harvey
Printed by Design and Print Unit, University of Central England, 0121-331 5384

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EXECUTIVE SUMMARY

Centre for Research into Quality

The Centre for Research into Quality was established in 1994 with the commitment of providing independent, high-quality research services in the higher education sector. The Centre currently has two ongoing research projects, Student Satisfaction and Quality in Higher Education *(QHE)*.

Higher Education Funding

This report documents the results of:

- a survey of the financial circumstances of full-time students at UCE, both their income and their debt;
- a survey ofthe views of full-time students in regard to the funding of higher education;
- an evaluation of the various funding options published since 1993.

The *Guardian Graduate Facts 2* survey (October 1994), provides information about the financial status of final year full-time students at universities and colleges across Britain against which the experiences of UCE students can be compared.

Methodology

The research focussed on full-time undergraduate students because of the extensive coverage within the educational media of hardship amongst the full-time student community. The empirical research was carried out using a short questionnaire designed specifically for full-time undergraduate students. The final sample consisted of 1139 students from all faculties in the university.

Income

Funding arrangements for full-time students vary, but the majority have access to a means-tested maintenance award and a repayable student loan. With few exceptions, students are not entitled to either housing benefit or income support. The government has established funds for colleges to distribute to students in hardship known as access funds. The survey revealed that of UCE students:

- the majority of students receive some form of maintenance grant.
- more students receive financial support from their parents than take out a student loan.
- less than 5% of students had received money from either the UCE hardship fund or the access fund.

- over 30% of students undertake some form of part-time employment during term-time.

Debt

The majority of students at UCE are in debt, they shared this experience with those students surveyed as part of the *Guardian* survey. The research showed that:

- the largest creditor amongst students is the Students Loans Company;
- over half the students in the sample consider their living standards to be 'difficult';
- despite 73.1% of students being in debt, when asked about their overall financial position, over half describe themselves as being in credit;
- there is a clear shift in the perception of students in relation to their indebtedness. Although they owe money they still consider themselves to be in credit.

Impact

Students were asked a series of questions about how their financial experience related to both their academic experience and their outlook of the future. Overall students views were not positive:

- the majority of students believe that their financial status is having a negative impact upon their academic performance;
- those students who work in part-time employment are increasingly inclined to consider their financial status to have a negative impact upon their academic performance;
- over two thirds of students feel worried about their future employment prospects with only 2.8% feeling 'very optimistic'.

Students views of funding

Students were asked whether or not the current system of funding should be reformed and who should hold what responsibility for the funding of higher education. Students held clearly different views with regard to the funding of maintenance and the funding of tuition:

- an overwhelming majority (92.2%) of students believe that the higher education funding system is in need of reform;
- a large majority of students (71.9%) consider that the responsibility for 100% of the funding of tuition costs should remain with the Government;
- however, only two fifths (41.9%) consider that the Government should hold *full* responsibility for the funding of student maintenance;

- almost half the respondents (44%) consider that there should be *some* form of student or graduate contribution towards the funding of student maintenance.

Funding Options

Six reports looking at approaches to funding higher education were evaluated. All considered funding in the context of a mass higher education system and all proposed means of raising additional income without looking to the Treasury. Some reports shared certain principles with regard to funding and many shared favoured methods of repayment in respect of any student or graduate contributions. Student or graduate contributions were advocated in a variety of forms:

- a life-time standard contribution through a graduate-tax;
- means-testing the current student loans scheme;
- the introduction of top-up tuition fees as supplementary charges on 'premium' courses;
- a graduate contribution towards both maintenance and tuition costs repaid through an income-dependent loan scheme;
- the current student loans system could be privatised in order to redistribute government funds from the provision of loans to other aspects of higher education provision.

Recommendations

The Centre for Research into Quality has undertaken considerable research, through the QHE Project, pertinent to the issue of future quality and funding of higher education. The research suggests the following principles underlying the funding of a mass higher education system of the future:

- education should remain free at the point of entry;
- funding should facilitate life-long learning, and not the traditional three-year full-time degree;
- the administration of higher education funding should be made more efficient and more accountable;
- distance learners and part-time students should have the same rights of access to funding as full-time students;
- students should contribute towards the cost of their education as part of a retrospective, income-dependent contribution scheme.

Chapter 1

INTRODUCTION

Funding Higher Education reports the outcomes of research into full-time student financial circumstances and perceptions. It analyses the income and debt of over 1000 students at UCE, considers their perceptions of their financial status, expectations of the future, and impact of their financial position on their academic work. The report also considers student views about the funding of higher education and critically evaluates currently debated funding options.

The *Guardian Graduate Facts 2* survey was published in October 1994 and asked a range of questions relating to the graduate lifestyle. One particular area of interest within the report was the analysis of the graduates' financial status and attitudes.

The annual *Student Satisfaction* report at the University of Central England has shown that the importance of financial matters to students has grown over the last four years. The views of UCE students, could be compared to their peers by matching some questions with those used in the *Guardian* survey.

In addition to our analysis of the financial experience of students, we explored the issue of funding higher education from a student perspective. In the Autumn term of 1994, the issue of higher education funding was characterised by the Government cutting 10% from the basic maintenance grant. This led to a high-profile response in the student community, with student representatives organising demonstrations calling for the resurrection of 1979 levels of maintenance grants and access to the benefit system. The funding of higher education has also featured prominently in the education press. The research aimed to gain an insight into the views of students on the most vital question within higher education at present: 'who should hold responsibility for the funding of higher education?

Methodology

In keeping with the *Guardian Graduate Facts 2* survey, the sample of UCE students surveyed were full-time undergraduates, following degree programmes of study. The selection of only full-time undergraduates enabled not only comparison but also took account of the fundamentally different funding arrangements that exist for part-time and postgraduate students. (Any analysis of part-time and postgraduate students views concerning financial matters, would have required a questionnaire designed with reference to those particular funding arrangements.)

The questionnaire used in the survey (Appendix 1), was developed bearing in mind the questions used in the *Guardian Graduate Facts 2* survey. It was important to retain the same wording for those questions that we intended to use for direct comparison with the *Guardian Graduate Facts 2* survey results. Additional questions were developed with reference to issues raised within the 'financial matters' section of the UCE annual Student Satisfaction reports, and the high-profile debate surrounding higher education funding.

The survey was carried out during the last two weeks of November and the first week in December 1994 (21/11/94 —7/12/94). A sample of courses was selected from the undergraduate degree

provision that reflected the proportionate size of faculties by full-time student numbers within the University. All years of study within the courses chosen were included in the selected sample. The following method of distribution and collection was adopted. Questionnaires were distributed and collected within the class time of selected courses, this required the co-operation of both faculty heads and course tutors. This method was adopted to ensure a high response rate and a quick turnaround of results. A postal survey would have proved problematic because of a possible low response rate and long time-lags. The disadvantage of such an approach was that courses were selected at random rather than individual students.

As all academic staff involved in our consultation felt the issue of financial support to be of paramount importance to their students all were willing to dedicate 15 minutes of their teaching time to the distribution and collection of the questionnaires. This method of distribution proved extremely successful and by the end of the three week period 1139 completed questionnaires had been collected. The distribution of the sample across faculties was not as representative as we had hoped, due partly to the differing levels of attendance within the range of selected courses. There were no significant differences in response between either age or gender catagories. The characteristics of the sample are shown in Appendix 2.

Chapter 2

INCOME

The current funding arrangements that exist for full-time students consist of free tuition for all EC-resident, undergraduate students studying their first degree. The maintenance support system consists of a means-tested grant and access to loans administered by the Student Loans Company. Following the removal of students from the housing benefit and income support system in 1989, the government created a pool of money to be administered through universities known as 'Access Funds'. These funds were created with the intention of assuring access to higher education for those students who may have previously relied upon the support of the benefit system. However, in most universities, the provision has been translated into a general fund open to all students suffering financial hardship.

Over three-quarters (77.1%) of full-time students at UCE receive some form of maintenance grant (Figure 1). This is the main source of income for students. The second largest source of income is not, as might be expected, the student loan, but students' parents. Of those students who receive some income from their parents, most receive more than £1000 (Table 1).

The take-up of student loans is perhaps lower than might be expected given the dwindling sources of financial support. However, this low take-up may be due to several factors. Access to student loans has been impeded by organisational problems within the Student Loans Company, some students having to wait considerably longer to receive their loan than the 21-day target period specified in the *Student Charter*. It is also possible that more students applied for a loan but, having not received it at the time of the survey, did not consider it to be an element of their income.

Income from access funds and the University's hardship fund is extremely small. Less than 1% of the total sample receive income from either of these two funds. The system employed at UCE to

Figure 1: Income sources

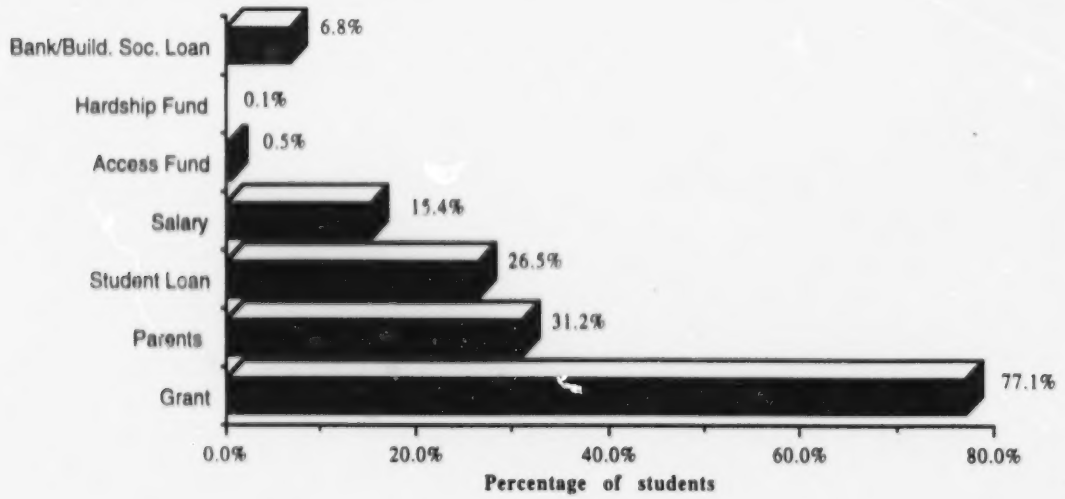


Table 1: Sources of income

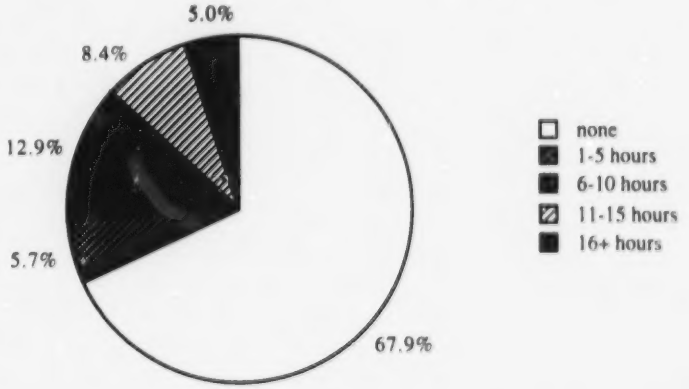
Amount of Income	Grant	Parents	Sponsorship	Student Loan	Salary	Access Fund	Hardship Fund	Building Soc. Loan
none	20.3%	61.6%	96.2%	69.7%	80.5%	96.9%	97.9%	90.3&
£1–500	4.4%	6.7%	0.4%	0.8%	2.3%	0.4%	0.1%	4.7%
£501–1000	8.3%	7.4%	0.5%	10.0%	3.8%	0%	0%	1.4%
£1001–1500	8.9%	4.0%	0.3%	13.1%	3.4%	0%	0%	0.3%
£1501–2000	19.2%	4.0%	0%	0.4%	2.0%	0.1%	0%	0.2%
£2001–2500	18.2%	2.1%	0.1%	0.1%	0.9%	0%	0%	0%
£2501–3000	3.2%	1.9%	0%	0.2%	0.7%	0%	0%	0.1%
£3000+	17.6%	12.3%	2.5%	2.5%	6.4%	2.6%	2.0%	3.1%

administer the distribution of the access fund involves a referral system through the institution's student service counsellors. Whilst this system ensures that students applying to the access fund have received some form of advice or counselling, those students who have not made contact with student services appear to be missing out on this form of financial assistance. The low take up of money from the UCE hardship fund can be explained by the decision taken by the hardship fund trustees, to invest hardship fund monies (derived from the University's bookshop profits), for the next three years in order to create a reserve of money large enough to cope with future student hardship claims, in line with the Government's intention to withdraw support through access funds in 1997.

The bank or building society loan, was regarded as a source of income by only 9.7% of the sample. This may seem a relatively low percentage when compared with the 42.8% of students who claimed that they owed money to the bank and the 12.1% who claim to owe money to the building society (see p.7, fig. 4).Whilst students may owe money to the bank, the provision of this source of financial support does not necessarily constitute a perceived source of income.

Just over 30% of full-time students work part-time (Figure 2). Of those, most work less than 10 hours per week. The 19.5% of students who claim a salary element to their income may well be those students who are in regular part-time employment. Over half those students who receive a salary receive more than £1000 per annum. The 13.4% of students in part-time employment who work over 10 hours per week, represent a worrying figure considering the expected minimum 30 hours of study per week on most undergraduate courses. It should be noted that, although 30% of students work part-time, only 19.5% of students acknowledge a salary element to their income. This may indicate that much of the work undertaken by students is on a casual basis and thus is not perceived by students to be a regular income source.

Figure 2: Students hours per week in part-time employment



A similar survey carried out amongst full-time undergraduates at the University of Westminister (Edmundson & Carpenter, 1994) revealed that 45% of respondents indicated they undertook part-time employment during term time, almost a quarter (23%) worked more than 15 hours per week.

Students were not asked whether they obtained holiday

employment because of the disparate nature of this particular student labour market. Without close investigation, figures from this source of employment may well be misleading when considering the contribution of employment to a student's income.

Some students may add substantially to there income through holiday work. However, many others find that any income derived from holiday employment is spent purely on subsistence costs throughout the vacation and makes no contribution to term-time costs.

Summary points

- A majority of students receive some form of maintenance grant.
- The maintenance grant is the largest source of income for students.
- More students receive financial support from their parents than take out a Student Loan.
- Less than 5% of all students have received money from either the UCE Hardship Fund or the Access Fund. This may raise issues concerning ease of access to these sources of financial support.
- Over 30% of full-time students undertake some form of part-time employment during term-time.
- One in eight (13.4%) students work more than 10 hours per week in part-time employment during term time.

Chapter 3

DEBT

Three quarters of the students (73.1%) find themselves in debt (Table 2). The majority of these students in debt (41%) owed over £1000. One in eight students (12%) owed over £3000. Of those students who owe money, the average debt stood at £1762, with the amount of money owed rising by year of study from £1612 for year 1 students to £2423 for year 4 students (Figure 3). Year 4 students were much more likely to owe in excess of £3000 and least likely to be debt free. A survey undertaken by the National Union of Students showed

> average debt for students in the 18 to 21 age group approaching £2500. debt levels rose to £4500 for students in the age group over 26. (Murphy, 1994)

Year 4 students are, in the main, those who have undertaken a sandwich course including an industrial placement. The large rise in average debt between year 3 and year 4 students may be due to the additional costs, such as clothing and travel, incurred whilst students worked on their placement. Increasingly, placement students find it harder to obtain a placement with a salary and have to rely upon a placement grant. It is significant that only a third of year 1 students were debt free by the end of their first term at university.

Table 2: Overall money owed

Overall money owed	%
none	26.9%
up to £500	21.4%
£501-1000	10.6%
£1001-£1500	10.6%
£1501-2000	7.3%
£2001-2500	6.4%
£2501-3000	4.7%
£3001-3500	5.0%
£3501-4000	1.8%
£4001-5000	1.8%
£5001-10000	1.7%
£10000+	1.7%

The largest creditor amongst students is the Student Loans Company (SLC) (Figure 4). 43.1% of

Figure 3: Overall money owed by year of study

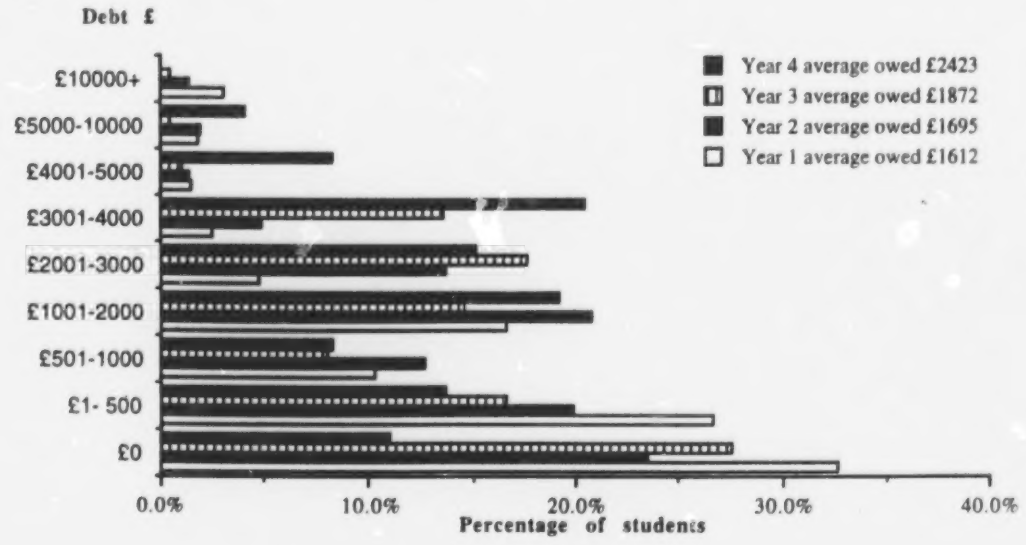
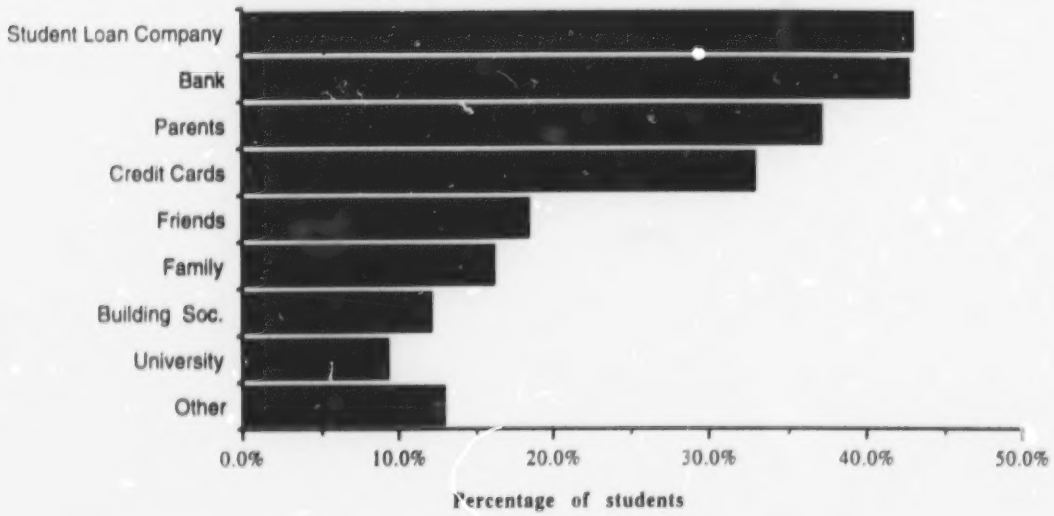


Figure 4: Creditors of students



students owe money to the SLC, and of those, nearly half (18.6%) owed between £1000—£2000 (Table 3). One in ten students owe the Student Loan Company over £3000.

Banks are the next biggest source of debt with 42.8% of students owing money. Over half of these (26.6%) owe up to £500. This figure corresponds with the average free overdraft package offered by high street banks on student accounts.

Over one third (37.2%) of the students acknowledge debt to their parents. The form of this debt is accounted for in pounds, but, additional comments on completed questionnaires would suggest that financial support in the form of food and accommodation is present, but, not included in the calculation of debt to parents. Almost a quarter (23%) of the students owe money on their credit cards, 8.9% of students owe over £3000. Other creditors of students include friends, building societies and the university.

The questions relating to debt within the UCE questionnaire were directly comparable with those used in the *Guardian Graduate Facts 2* survey. The results amongst UCE students were very similar to those recorded on a national basis amongst their peers. The Student Loan Company topped the list of creditors, followed by banks and parents as in the UCE survey. Within the *Guardian* survey only 14% of students owed no money at all, compared with 26.9% of UCE students. The sample used by the *Guardian* survey consisted of 1419 *final year* students and this must be taken

Table 3: Student creditors with table of money owed

Amount of Money Owed	Student Loan Company	Bank	Parents	Credit Card	Friends	Family	Building Society	University
none	56.9%	57.2%	62.8%	77.0%	81.6%	83.8%	87.9%	90.7%
£1-500	0.6%	26.6%	17.6%	11.2%	9.0%	6.6%	1.4%	1.1%
£501-1000	9.5%	4.7%	5.1%	1.7%	0.8%	0.7%	0.4%	0.1%
£1001-1500	9.0%	0.5%	0.6%	0.6%	0.2%	0.1%	0%	0.1%
£1501-2000	9.6%	0.5%	1.2%	0.5%	0.1%	0.2%	0%	0.1%
£2001-2500	2.8%	0%	0.1%	0%	0%	0%	0.1%	0%
£2501-3000	1.7%	0.4%	0.5%	0.2%	0%	0.1%	0%	0%
£3000+	10.0%	10.2%	12.1%	8.9%	8.3%	8.5%	10.2%	8.0%

into account when comparing results. In the UCE survey 11% of year 4 students were debt free. (It is not possible to identify which year 3 students were in their final year.) The sample used in the UCE survey covered all years of study (see Appendix 2).

Students were asked to consider their feelings about their living standards (Figure 5). Only 8.5% of students felt that their living standards could be described as 'comfortable', over half consider their living standards to be 'difficult' or 'very difficult'. Almost two fifths of the students (38.3%) consider themselves to be 'coping.

Not surprisingly, students who owe more money feel worse about their living standards (Table 4). 80% of students who owed between £2000 and £5000 felt that it was 'difficult' or 'very difficult' to cope on their present finances. However, less than one in five (17.4%) students who owed no money considered their living standards to be comfortable!

There is a clear correlation between students perceptions of their living standards and their perception of their financial status as shown in Table 5. Those students who consider their living

Figure 5: Students perceptions of living standards

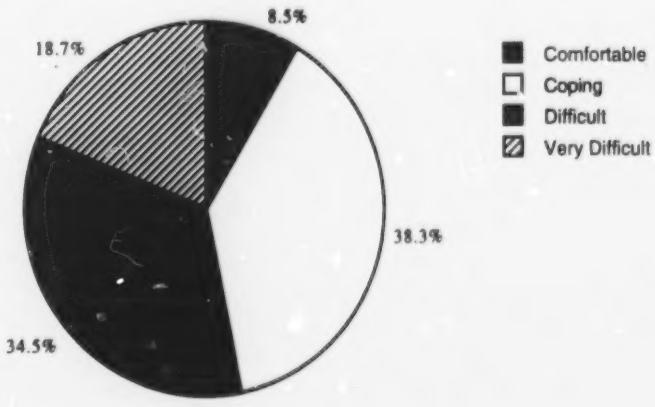


Figure 6: Overall financial position

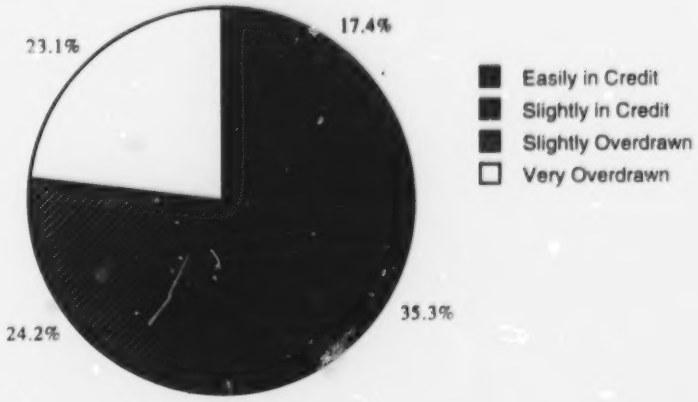


Table 4: Overall money owed by student perceptions of living standards

Overall money owed	Feelings about living standards			
	comfortable	*coping*	*difficult*	*very difficult*
no money owed	17.4%	60.5%	17.8%	4.3%
up to £500	9.5%	30.9%	45.5%	14.5%
£501-1000	3.7%	29.4%	47.7%	19.3%
£1001-2000	3.2%	30.8%	43.8%	22.2%
£2001-3000	0.9%	20.7%	41.4%	37.1%
£3001-4000	1.5%	17.6%	29.4%	51.5%
£4001-5000	0%	10.5%	36.8%	52.6%
£5001-10000	11.1%	33.3%	22.2%	33.3%
£10000+	16.7%	33.3%	27.8%	22.2%

Chi-square p=.00

Table 5: Perception of living standards by overall financial position

Perception of living standards	Perception of overall financial position			
	Easily in credit	*Slightly in credit*	*Slightly overdrawn*	*Very overdrawn*
Comfortable	73.6%	17.6%	8.8%	0%
Coping	25.8%	49.8%	18.2%	6.2%
Difficult	3.1%	35.7%	33.3%	27.9%
Very Difficult	1.5%	14.1%	25.4%	59.0%

Chi-square p=.00

standards to be comfortable also consider themselves to be easily in credit (73.6%). Correspondingly, those students who described their living standards as very difficult also consider themselves to be very overdrawn (59%).

Although 73.1% of students owe money to somebody, when asked to describe their overall financial position, their perception of their financial status appeared to differ from reality. Over half the students questioned consider themselves to be either slightly or easily in credit, with only 47.3% of students considering themselves to be overdrawn (Figure 6).

This clearly indicates a shift in the perception of students in relation to indebtedness. It is feasible, for example, that while a student may owe the bank £300, his or her overdraft limit may be £500, and thus, he or she may consider him or herself to still be in credit. This view is reinforced by the results of the *Guardian* survey in which 86% of those students questioned were in debt but only 70% considered themselves to be overdrawn. This apparent shift in the culture of debt amongst the student population would certainly warrant further investigation.

Summary points

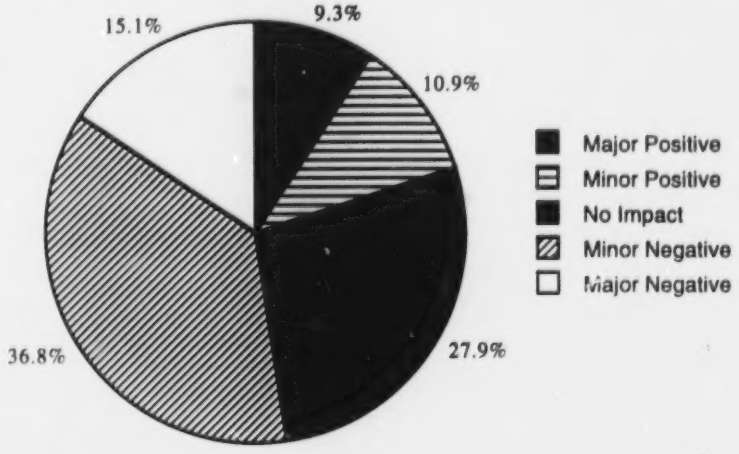
- 73% of students owed money, with the average debt being £1289.
- The largest creditor amongst students is the Students Loans Company.
- Students at UCE share similar experiences of indebtedness with their national peers, according to the *Guardian Graduate Facts 2* survey.
- Over half the students in the sample consider their living standards to be 'difficult'.
- Despite 73.1% of students being in debt, when asked about their overall financial position, over half (52.7%), describe themselves as being in credit.
- There is a clear shift in the perception of students in relation to their indebtedness. Although they owe money they still consider themselves to be in credit.

Chapter 4

IMPACT

Overall, students regard their financial status as having a detrimental impact on their academic performance. Over half the sample (51.9%) considered their financial status to have a negative impact and only one fifth (20.2%) thought it had a positive impact (Figure 7). When students consider their financial status they may be considering several factors that go to make up that status and each may have an individual effect upon a student's academic performance.

Figure 7: Impact of financial status on academic performance



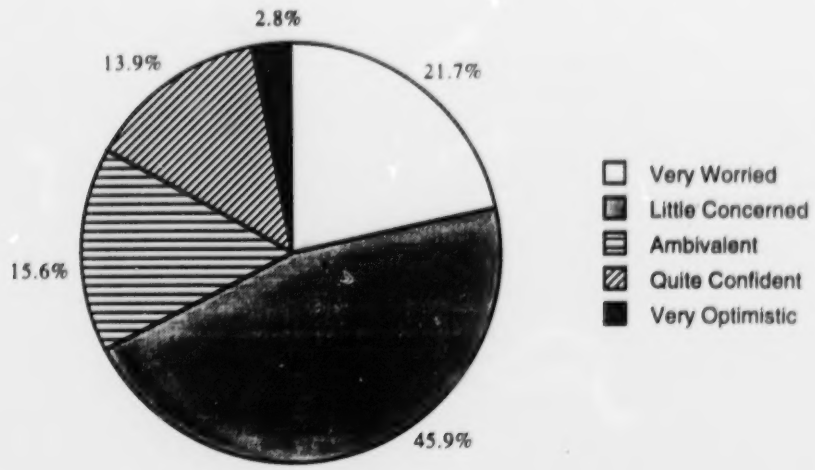
For those students who work part-time it may be the pressure of this additional work that has effect on their studies. Table 6 demonstrates this effect. A pattern emerges across the table indicating that those students who work part-time are more inclined to consider their financial status to have a negative effect upon their academic performance. This is supported by a survey carried out at Oxford Brookes University (Paton-Saltzberg and Lindsay, 1993), which suggested that students who work during term time get poorer course marks and degree classifications as a result.

Yet, it must also be noted that a significant number of students who do not work part-time also consider that their finances to have had a negative effect on their academic performance. This may be because of the financial hardship they find themselves in: unable to ease their problem through additional income gained by working part-time.

Table 6: Impact on academic performance by hours worked

Hours worked	Impact on academic performance				
	major positive	*minor positive*	*no impact*	*minor negative*	*major negative*
none	9.3%	11.4%	30.3%	37.0%	12.1%
1-5	14.3%	6.3%	31.7%	33.3%	14.3%
6-10	8.5%	9.9%	30.5%	34.0%	17.0%
11-15	4.4%	14.3%	17.6%	40.7%	23.1%
16 +	17.3%	9.6%	11.5%	36.5%	25.0%

Figure 8: Feelings about future employment prospects



Time spent in higher education is not increasing students' optimism about their future employment prospects. Over two thirds of the students (67.6%) feel worried or concerned about their future employment prospects, and only 16.7% of the students feel any kind of optimism for the future (Figure 8). A mere 2.8% are very optimistic about their future employment prospects.

Summary points

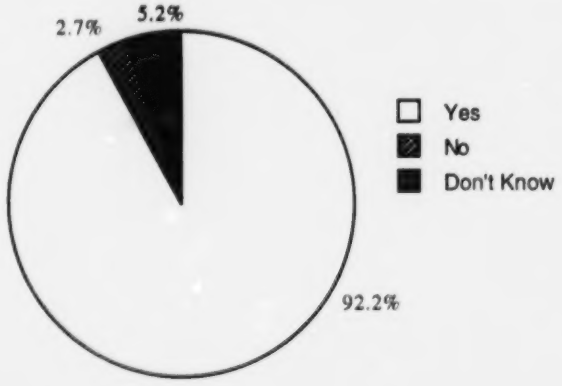
- The majority of students believe that their financial status is having a negative impact upon their academic performance.
- Those students who work in part-time employment are increasingly inclined to consider their financial status to have a negative effect upon their academic performance.
- Over two thirds of the students feel worried about their future employment prospects and only 2.8% feel 'very optimistic'.

Chapter 5

FUNDING HIGHER EDUCATION

Overwhelmingly, students consider that the current funding arrangements for higher education are in need of reform. 92.2% of students welcomed reform, and only 2.7% oppposed it (Figure 9).

Figure 9: Reform of HE funding



Students were asked who they thought should be responsible for the funding of higher education by indicating a percentage of responsibility by the specified categories of funders. Responsibility for fees and for the funding of student maintenance were separated.

A substantial majority (71.9%) of the students think that the government should remain responsible for 100% of the tuition costs (Table 8). Of the remainder 19.9% think the government should be responsible for over half of the tuition costs and only 8.2% think the government should be responsible for less than half. Only 1.2% of the students considered that fees should not be the responsibility of government at all.

Less than half the students (41.9%) thought that the government should be responsible for 100% of the maintenance costs. However, 42.7% thought the government should be responsible for at least half the maintenance costs and only 17.8% thought that the government should be responsible for less than half. Complete abandonment of any government support for maintenance was an option chosen by only 2.4% of the respondents.

When asked about their own contribution towards the fee element of their higher education costs, only 10.4% think that students should make any contribution to their fee costs (Table 8). This figure was even smaller (5.7%) in respect of a graduate contribution to fee costs (Table 9).

However, it was acknowledged that whether the contribution be through students or graduates, it was the same body of people that would eventually be contributing. The difference between students and graduates in this context merely being time.

When combined, the figure for a student or gradu-

Table 7: Government percentage responsibility for funding

Government percentage responsibility	Fees	Maintenance
0%	1.2	2.4
1-10%	0.3	0.4
11-20%	0.8	0.7
21-30%	0.9	1.3
31-40%	0.1	1.5
41-50%	4.9	11.5
51-60%	1.5	4.3
61-70%	3.5	7.5
71-80%	8.7	18.9
81-90%	5.4	9.3
91-99%	0.8	1.7
100%	71.9	41.9

ate contribution to fees rises slightly to 12.5% (Table 8). Either way, there is very little enthusiasm for a contribution towards fees from students or graduates.

Table 8: Student/graduate percentage responsibility for funding

Percentage responsibility	Students		Graduates		Student or graduate	
	Fees	*Main*	*Fees*	*Main*	*Fees*	*Main*
0%	89.6	60.0	94.3	89.1	87.5	56.0
1-25%	8.3	30.0	5.0	8.8	9.0	30.1
26-50%	1.8	8.9	0.7	2.1	2.4	12.1
51-99%	0.1	0.7	0	0	0.8	1.2
100%	0.2	0.4	0	0	0.3	0.6

Attitudes towards a student or graduate contribution towards maintenance for full-time students, however, are significantly different. A student contribution towards maintenance gets support from 40% of the sample. A graduate contribution gets far less support with only 10.9% in favour. Overall 44% of UCE students favour some contribution towards maintenance from either students or graduates. However, only 1.8% think the contribution should exceed 50% of maintenance costs.

There is some support for a contribution from industry towards fees or maintenance. 21.8% of the students consider that industry should make some contribution towards the fee element of funding, and 25.1% that industry should make some contribution to the maintenance element of HE funding (Table 9). However, only a small proportion (6%) thought the contribution should exceed 25% of fees or maintenance costs.

Few students indicate other sources of funding; of those that did, the majority suggest parents as another source of financial support. One respondent suggested the National Lottery!

The percentage of respondents who consider a student contribution towards the maintenance element of their higher education costs was surprising. It must be acknowledged that students already contribute to their maintenance costs through both the Student Loans scheme and through debt incurred with other creditors whilst studying. A significant percentage of students appear to consider this contribution towards their maintenance costs to be appropriate. This contradicts the current view of students as presented by both local and national student representatives (Richards,1994).

Traditionally, the government has been the principal source of financial support for the tuition fees of full-time students. The students in the study consider that it should remain so. If the government is not to be the only source of funding, then the next most popular contributor amongst students is industry. Currently contributions towards higher education costs from industry are not mandatory. Financial support is given in a variety of ways; from the funding of specialised courses to the employment of placement students (CIHE, 1991). Research carried out by the CBI (1994), has indicated that industry contributions to higher education costs are likely to be maintained and possibly expanded on a voluntary basis. However, recent research (Harvey, 1994) has suggested that while employers want increased involvement in higher education, particularly through work placements, the economic climate restricts the support they can offer.

The research clearly illustrates that students consider that the system of funding higher education should be reformed. However, the contributors to higher education funding may not be significantly different to those that exist now. The complexity of the funding debate, and the different funding options, make it difficult to gauge student opinion through the use of a short questionnaire. This survey did not ask students to indicate how they would like the funding system to be reorganised.

Table 9: Industry percentage responsibility for funding

Industry percentage responsibility	Fees	Maintenance
0%	78.2	74.9
1-25%	15.7	19.5
26-50%	5.6	5.4
over 50%	0.5	0.2

Yet, it is evident that students want reform and a large percentage accept some form of student or graduate contribution. It is the system of student contribution, that is, the Student Loan scheme, with which students appear to be unhappy.

Summary points

- An overwhelming majority (92.2%) of students believe that the higher education funding system is in need of reform.
- A large majority of students (71.9%) consider that the responsibility for 100% of the funding of tuition costs should remain with the government.
- However, only two fifths (41.9%) consider that the government should hold full responsibility for the funding of student maintenance.
- Almost half the respondents (44%) consider that there should be some form of student or graduate contribution towards the funding of student maintenance.
- Approximately a quarter of students consider that there should be some contribution from industry towards the funding of both tuition and maintenance.

Chapter 6
FUNDING OPTIONS

The exploration of the perceptions of full-time students at UCE was set in the wider context of the debate about funding higher education. A review was conducted of various funding options that have been proposed and published since 1993. The opportunity to fund the expansion of higher education through a more progressive system of taxation seemed politically implausible amongst the political parties of the time.

An underlying principle of all the options reviewed was the expansion of the higher education system. Higher education has been established not only as the key to national economic success but, in addition, as a tool for ensuring society's development.

There is no doubt that despite graduate unemployment those who have had the opportunity to participate in higher education have increased opportunities within the labour market compared to those who have not participated (IRDAC 1994). This opportunity must be widened. Ultimately, students will vote with their feet, and it will be their participation in the higher education system of the future that will be an initial indicator of success or failure in the funding of the future.

Lincoln, I. and Walker, A., 1993 'Increasing investment in higher education: the role of a graduate tax'. *Education Economics, vol. 1, no.3.*

Proposals

This paper primarily focuses on the economic case for the introduction of a graduate tax. Before outlining the case for a graduate tax, the authors outline the current problems that exist within the present funding system. They perceive there to be four problematic areas:

- means-tested maintenance grants— not only is the decline in the real value of the maintenance grant acknowledged but, in addition, the inequities that exist within the means-testing system are examined. Department of Education and Science (DES), figures are quoted to highlight the unreliability of ensuring financial support for those students who are reliant upon either a parental or spousal contribution:

  > of those undergraduates whose parents were assessed to make a contribution, 35%...did not receive it in full. The comparable figure in the NUS (National Union of Students) survey of 1982-83 was 46%

  This compounds the financial hardship felt by students and fails to treat students, like the rest of the population, as independent adults;

- student loans — as the repayment scheme is based upon fixed sums over a fixed period, those graduates on low or middle incomes, such as teachers, will end up paying a larger proportion of their income on loan repayments. Loans are regressive within the graduate community;

- administrative efficiency — students receive their financial support, in the main, from up to three different sources (parents/spouses, local authorities and the Student Loan Company). Higher Education Institutions (HEI's) also receive their income from (possibly) three different sources (funding council, local authorities and students). The scope for administrative inefficiency is massive;

- income generation — the partial loans system that the Government has introduced was

designed to ultimately meet only 5–10% of current public expenditure costs per student. Even if this target is reached, additional income to fund expansion of the higher education sector will not be created. 'The HE institutions are highly dependent on government funding, the growth in which has been severely constrained' (p. 215).

The alternative system that is proposed relies upon those graduates, who have completed a higher education course of two years or more, paying an additional graduate tax. The authors estimate that a graduate tax of 2% over basic rate tax would be necessary to make a significant contribution to higher education funding. This tax would be payable throughout an individual's working life until they reached the age of 60. The tax would be collected by the Inland Revenue alongside income tax.

The income collected through this additional taxation would be channelled into a Higher Education Corporation (HEC). The role of the HEC would be to pay out grants to students and also pay fees to institutions. The establishment of a HEC is compared to the trust fund established in the Australian system to receive the flow of income from their Higher Education Contribution Scheme (Appendix 3). This was established to ensure that student and graduate contributions were channeled directly to the higher education sector rather than to the treasury to be used for other purposes. Thus, income for HEI's would be received in the form of fees from the HECS and a grant from the existing Higher Education Funding Councils (HEFC's).

The annual maintenance grant paid from the HEC to current students would be approximately 25% higher than the 1988-89 levels set for a full grant. Grants would not be means-tested. All students would have equal access to a full grant despite their parents or spouses income.

In addition to receiving money from the Inland Revenue, the HEC would receive a contribution direct from government for each former student who is unemployed or not participating in the labour market.

Finally, the HEC would accumulate data that could be used as an input in the assessment of courses or institutions if analysed on a regular basis. Graduate-taxpayers would have to be identified through their institution for this to be possible.

Evaluation

There is no doubt that Lincoln and Walker suggest a radical reform of the current system and manage to address not only the problems of funding higher education, but also the most efficient means of distributing the funds once they have been collected. The simplicity of the graduate-tax system has been admired (Fitzgerald, 1995). Having accepted the notion of a student or graduate contribution, criticisms of the graduate-tax proposal must be on the basis of comparisons with other contribution schemes.

The biggest criticism of any graduate tax system has to be it's failure to relate individuals repayments to the education costs that they have built up. This means that a graduate who has undertaken a two year HND course will be paying the same rate of tax, for potentially the same period of time, as a graduate who undertook a five year medicine degree. In addition, a repayment of a premium for life seems unfair as many graduates will be paying high rate tax anyway as a result of their graduate status. This does not appear to be an equitable funding arrangement.

This proposal also overlooks the significant and growing number of part-time students. Currently, part-time students are responsible for not only their own maintenance but, in addition, a substantial proportion of their tuition costs. The support for students within this proposal relates purely to full-time students and makes no mention of how part-time students may benefit from the system.

The proposal rests upon students contributing once they have completed two or more years of a higher education course. How does this standard relate to part-time students? Given that an increasing number of students are seeing their courses in terms of modules to be completed rather than

years of study, this standard would make more sense if it related to modules of higher education.

Confederation of Business and Industry, June 1994, *Thinking Ahead — Ensuring the Expansion of Higher Education into the 21st Century.*

Proposals

This report puts the business case for finding the means of funding expansion within higher education. The CBI paper bases its analysis on a minimum graduation target of 40%. However, the paper acknowledges that a target of 50% would be more realistic in terms of Britains' future international competitiveness.

Calculations within the paper estimate that a graduation target of 40% would cost an additional £3.0 billion, this rises to £4.3 billion with a 50% target. Although the CBI recognises that the Government may not want to fund this growth, it recommends that the Government maintains current levels of funding to higher education which should be increased in line with growth in the national economy.

Additional funding to higher education from employers is likely to be at least maintained if not increased, according to research carried out by the CBI. The form of these contributions vary. They might cover research, consultancy, help with teaching costs, donations and student support in the form of sponsorship. The CBI do not see the need for a charge to be levied on employers for their use of higher education. They see this as an additional 'tax' that would deter small businesses, in particular, from employing graduates.

The efficiency gains made by institutions are acknowledged by the CBI. However, they believe that there is scope for further efficiency gains through the greater use of new technology. The increased use of technology-based, learning systems should enable HEI's to continue to produce high annual efficiency gains.

> While employers believe an annual reduction in unit costs of 4% to [academic year] 2000—2001 is realistic, they would not wish to see the quality of provision suffer due to funding for higher education being squeezed further than this (p. 27)

Other ways of better utilising institutional resources are suggested, such as the reorganisation of the academic year, so that a third semester is possible. The report also suggests the greater use of private finance in institutions' capital programmes.

The calculations made by the CBI in relation to the additional £3 billion necessary to fund the 40% graduation target, require an additional student contribution towards funding as well as the other measures suggested on behalf of government, employers and institutions. However, the CBI draws a strong distinction between the funding for tuition and funding for student maintenance. It believes there should be an increased student contribution towards the maintenance element of funding. However, it retains its belief in the principle of free tuition for first degrees, for all those who are qualified and may benefit from them.

The CBI suggests that an increased student contribution would be best found through means-testing the student loans system.

> It makes no sense for the Government to continue funding the living costs of students whose parents could afford to contribute more, if this means denying potential students a place in higher education altogether. (p. 29)

The CBI believe that by targeting the distribution of student loans much more closely, the Government would have more money available to fund the necessary expansion. They also propose that this additional income would stretch to an increase in the maintenance-grant payment.

> These proposals would benefit students from lower social groups since they would make it possible for the Government to increase the level of grant paid to students from less well-off backgrounds, reducing their dependency on top-up loans to meet living costs. (p. 29)

Repayments of student loans through the national insurance system is advocated as a system of loan repayment that 'merits close attention'.

The report acknowledges the rapid increase in part-time student numbers and, in principle, accepts that these students should have the same eligibility to financial resources as full-time students. However, the report does not put forward proposals to fund this principle: 'In practice, given the constraints in public expenditure, ... it is not feasible at present' (p. 30).

Evaluation

The reliance of this report on the continued support of parents and spouses for their 'independent' relatives is it's greatest failing. Figures produced by both the Department of Education and Science and the National Union of Students (DES,1988) indicate that a substantial number of students, who have either parents or spouses who are expected to contribute to their maintenance costs suffer a shortfall in their income because they do not receive the calculated contribution.

This report is also short-sighted because it does not project any significant change in the shape and structure of higher education. It accepts that higher education will need to expand beyond the 40% graduation rate that they have set and that the funding system needs to encompass part-time as well as full-time students. However, the changes that they suggest deal with neither of these projections. Any changes in the funding system should be for the future as the title of the report might suggest. Tinkering with a system designed for an élite does not move the debate much further forward.

The report does not offer any new ideas for funding, assuming that tightening up on existing processes will generate adequate money.

Its greatest contribution is to identify a clear distinction between maintenance and tuition fees and suggesting that there are different responsibilities for each that reflect a balance between individual development and national economic requirements.

Centre for Higher Education Studies (CHES), Institute of Education, 1994, Gareth Williams and Heather Fry. *Longer Term Prospects for British Higher Education.* A report to the Committee of Vice-Chancellors and Principals.

Proposals

This paper argues that the principal source of additional funding for higher education should come from top-up fees paid by students directly to institutions.

The advocacy for this option rests on the guaranteed return of money to the higher education institutions. The paper considers alternative funding options including: a graduate-tax and a reallocation of government funding from student maintenance grants to additional funding for HEI's. These options are both discarded because of their apparent failure to ensure that revenue raised would provide additional resources available to institutions.

Top-up fees are described within the report as, 'supplementary charges by individual universities to enable them to offer premium quality on some or all of their courses' (p. 44). Universities would still receive a core grant for their teaching and research activities dependent on student numbers from the funding councils. Top-up fees could be charged by universities for those courses that are, 'particularly expensive or particularly popular courses leaving the basic undergraduate provision free to all comers' (p. 44).

The report acknowledges that the main argument against the introduction of top-up fees within universities has been on the basis of equity. Access to 'premium quality' education will be based on ability to pay. The authors defend their proposal by suggesting that universities could offer bursaries to those students who receive a maintenance award: 'those receiving a full grant would pay no

supplementary fees' (p. 44). The report does not explain how those students who do not receive a full maintenance grant should raise the additional funding necessary to meet the cost of top-up fees. However, the real source of this contribution is implicitly assumed to be parents:

> it can be considered anomalous that families which pay £10,000 per year and more for secondary education should be unable to pay some fees to obtain premium quality higher education. (p. 49).

The report also addresses another common criticism based upon the inequity of top-up fees; the inequity that may operate between institutions. Those institutions that could offer better resources to complement their teaching provision would find it far easier to charge top-up fees than those institutions that do not have access to such resources. The argument follows that the introduction of top-up fees could result in a two-tier system of higher education: those institutions that can offer 'premium quality' courses and who are able to charge top-up fees to those students who can afford to pay them and those universities who provide the 'standard' teaching provision, with only the funding council's core grant to support them. The report suggests that one means of circumventing this situation might be to link top-up fees with teaching-assessment ratings.

The report believes that the strongest argument for top-up fees is the belief that the future of higher education lies in the increased differentiation between institutions. This, say the authors, is a possible source of inequity unless top-up fees are charged:

> provided that all receive sufficient public funding to be able to offer undergraduate education of an acceptable quality across a wide range of subjects, there must be a case for charging those students who benefit from courses that are above this basic level of provision. Otherwise there are inequities in the other direction. Some students will receive a higher level of provision than others at no cost to themselves. (p. 45)

Evaluation

The report rests on a view of a highly differentiated higher education sector. This is a contentious view (Blackstone, 1994). It is clear that those institutions that already have the best resources, will be in a position to offer the 'premium' quality courses because of their access to plentiful and appropriate facilities. Often these institutions have the best resources because of their historical establishment rather than any other factor. Those institutions without adequate resources, often those in the new university sector, will be unable to compete for students on an equal basis and will be unable to attract income from top-up fees. This scenario is one where we can see the well-resourced institutions getting richer, and those lacking resources getting poorer. The resulting diversity will clearly be the creation of an élite group in a multi-tiered system.

There are too many presumptions made within the report and too many questions left unanswered for the proposal of top-up fees to be taken as a serious funding option of the future. The biggest assumption is the belief that the government will continue to fund student financial support at current levels, and, continue to provide a basic level of funding to colleges in the light of expansion of participation rates in higher education. The introduction of top-up fees provides money for colleges only. Whilst some colleges are seen to be underfunded at present (Knight, 1995), there is an entire student body with limited sources of financial support. This report fails to address the issue of student hardship, indeed the proposals would add significantly to such hardship. The report also proposes no solutions to the existing inequities between part-time and full-time students.

Commission for Social Justice, 1994, *Social Justice Strategy for National Renewal.*

Proposals

This review of the funding options commissioned by the parliamentary Labour Party, forms part of a report that not only looks at higher education funding but at a variety of other educational and social reforms. The report also starts from the premise of an expanding higher education system.

The Social Justice report examines the current funding arrangements and finds them 'grossly unfair' (p. 137). It acknowledges four key inequities.

- The domination of higher education by students from families in social groups I and II, means that maintenance grants and tuition fees for students living away from home are worth ten times as much to the richest 20% of families as they are to the poorest 20%. This is neither a fair nor equitable distribution of higher education funding.
- Part-time students have no access to free tuition.
- Those courses, such as dance, that attract only a discretionary maintenance award are becoming limited to students from local authorities where discretionary awards are still available. Thus, participation in these courses is increasingly based on geography.
- Many full-time students are currently in a condition of extreme financial hardship. The current system of grants and loans does not provide an adequate income.

The proposed solution to these inadequacies within the current funding arrangements, is to ask graduates to contribute to the cost of their education once they have entered the labour market. The Commission proposes that the level of maintenance support available to students should be increased, but that this sum should be converted into a loan repayable on graduation. In addition the Commission proposes a graduate contribution towards the cost of tuition fees, again in the form of a loan.

The report goes on to outline three different repayment methods. No preferred repayment method is indicated, but, the report does emphasise the need for the method of repayment to be considered carefully in order that open access to higher education is not effected. 'Since the new system must not compromise the commitment to participation based on ability to benefit rather than ability to pay, graduate contributions should be based on post-graduate income' (p. 140). The three different repayment methods are outlined as follows.

- a fixed monthly payment, once graduates reach a specified income level. This is similar to the current student-loan repayments scheme and is often known as the 'mortgage style' repayment scheme. Repayments are more difficult in early years when earnings are relatively low.
- a surcharge on national insurance, until the repayment has been made. This would mean that graduates would begin their repayments whilst their earnings were as low as £57 per week.
- a rising surcharge on national insurance, until the repayment has been made. Repayments would be triggered off once graduates earnings reached a specified level.

All of these repayment methods are directly linked to an individual's learning costs. Once those costs have been repaid then no further contribution is expected. The National Commission on Education estimates that this style of reform could represent £1.5 billion per year in savings to government.

In answer to fears that graduate contributions could restrict participation in higher education by those students from poorer backgrounds, the report gives the example of the system of higher education contributions employed in Australia (Appendix 3). Research commissioned, following the implementation of this scheme, found that the higher education contribution scheme was only a middle ranking factor amongst students when deciding whether or not they were going to enter higher education. The Higher Education Council then concluded that the contribution scheme had not had an adverse effect upon access within the higher education system.

The funding needs of part-time students are addressed through the creation of a 'Learning Bank'. This would enable students to have their own individual 'learning accounts' where funding credits would be available to all students regardless of their mode or level of study.

Evaluation

The four key inequities within the current funding arrangements, which this paper initially outlines, are addressed principally through the introduction of an extensive graduate contribution.

The conversion of all maintenance support to a loan and a charge for 20% of tuition costs will ultimately constitute a large sum of money to be repaid by the graduate. As the report emphasises: 'the burden of expansion in higher education will have to be borne by people who do best out of the current system—above all, full-time university students living away from home' (p. 139). The research amongst full-time students at UCE indicates that, whilst willing to contribute to their maintenance costs, they are not yet prepared to contribute towards their tuition costs.

If full-time students are to accept proposals such as those set out by the Commission, the sensitivity of the repayment method is a crucial element in the acceptability of a student/graduate contribution. The three options given for repayment each have their own advantages in terms of both economics and sensitivity to the borrower. The second option of a surcharge on National Insurance will reap more contributions more quickly. However, the third option (a rising surcharge on National Insurance) is clearly more sensitive to the repayment conditions of the graduate.

As the report has sought to address, full-time students are not the only students to be considered in this debate. The opportunities, in respect of funding, for part-time students and distance learners are substantially increased through the 'Learning Bank' initiative proposed by the Commission. This initiative draws comparison with the credit framework proposed in the Robertson report (1994). If access to higher education is to be linked to funding then there seems to be little doubt that for part-time students this change would represent a fundamental widening of access.

It is this link between access and funding that is at the crux of the opposition against the imposition of a graduate contribution. The research that has been undertaken in Australia, has found that graduate contributions are not high-ranking factors when students consider entering higher education. However, this research was carried out when the standard full-time contribution was A$ 2250 (approx £1000) per year of study. The levels of contribution in Australia have since been raised and research is awaited to see whether this increase in contribution is having a negative impact upon those students wanting to enter full-time study.

The proposals do not assure return of the money, raised through a graduate contribution, to the higher education sector. Indeed the report argues against the case for hypothecated taxation. If students are expected to contribute to the cost of their education, they may wish to see some guarantee that their contribution is translated into increased resources within the higher education sector, to ensure that the education that they pay for is a well-resourced quality education (Breeze, 1994).

London School of Economics, 1994, Nicholas Barr, Jane Falkingham and Howard Glennerster. *Funding Higher Education,* commissioned on behalf of B.P.

Proposals

This report tackles the need to address two conflicting priorities within tertiary education. The National Commission on Education (1993) recommended that the balance of funding should be tipped away from higher education in favour of further education. However, increased access to higher education still remains high on the priority scale for Government and employers. The report considers that the only resolution of this conflict of demands is for higher education to raise more of it's resources from the private sector, principally students or graduates.

A graduate contribution towards the costs of higher education is advocated, (it is not made clear whether these costs should be made up of maintenance costs, tuition fees or a combination of both). In keeping with the current system, the contribution would be channelled through the Student Loans Company. However, this report proposes a series of modifications to the existing system of

student loans.

The first of these reforms concerns the method of repayment. At present graduates begin to repay their student loan from the April following their graduation. If by April they are earning less than 85% of the average national earnings, then repayment can be deferred until this threshold is reached. Once repayments begin, payments are made monthly, for a fixed sum, through direct debit. The report suggests that benefits to both borrowers and government could be gained if repayment was converted to a fully income-contingent model. In this situation the level of repayments would be sensitive to the graduates income, thus not only aiding the burden of repayment to the graduate but also decreasing the likelihood of repayment default on behalf of the government. For the same reasons, the period of repayment should be further extended over the graduate's life-time earnings, rather than the five year repayment period specified by the Student Loans Company at present. This repayment model is similar to that used in Australia (Appendix 3). Furthermore, the report suggests that repayments could be collected alongside national insurance contributions for ease and simplicity. The National Insurance authorities would then pass on repayments collected for the Student Loans Company to process and update accounts. The decreased likelihood of default within the repayment scheme makes it possible for a 'positive real rate of interest' (p. 13) to be charged.

The second major reform proposed is the privatisation of the Student Loans Company. Here an economic argument is put to save the costs of the student loans scheme counting towards public expenditure. Currently, the costs of not only setting up the Student Loans Company, but also the costs of providing the loans have been borne by the Government. The problem with a loan scheme where the start-up costs fall into public expenditure, is the slow return of repayments. The report suggests that: 'Loans should be organised in such a way that they do not count towards public expenditure, otherwise the short-term public expenditure saving will be lost' (p. 6). The ability within the new secure repayment scheme to charge interest rates on the loans makes the scheme, according to the authors, much more attractive to private lenders.

> if students borrow from private-sector sources (e.g., banks), who receive a partial guarantee from the Government there is, once again, a start-up cost for the loan scheme but these are now borne in the private sector. In this case, therefore, in sharpest possible contrast with the government scheme, the public expenditure savings are immediate.. (p. 13)

The authors argue that the privatisation of the student loans scheme will produce immediate savings of £1.5 billion per year. If a real interest rate of 2% is added to the loans then a yield of £4 billion per year is anticipated. The report does not speculate where this money could be spent, but suggests that it might possibly be used to increase maintenance grants, or support for part-time students.

Evaluation

The reforms proposed are broadly in line with changes suggested in other reports. The departure from state ownership of the loans scheme is where the controversial differences lie. Before accepting such a proposal, educational stakeholders may need reassurance of certain principles.

- How can the accountability of such a scheme be assured?
- Once students are dependent on this income source for the future of their education, what guarantees will they have that the private lenders will not move the economic goal posts in terms of the interest rates that they are charged?
- How will this money that students are contributing towards their education costs find it's way back to the education sector?
- Finally, how keen will private lenders really be to invest in a loan scheme, where repayments rely upon the long term economic success of the borrower?
- How much money will be redirected out of the education system and into profit for the operators of the student loans scheme?

The report acknowledges that returns on any loans are only recouped after a long period of time, indeed, this was given as the very reason for the scheme to be shifted out of the realm of public expenditure. This scenario is comparable with the investment in third-world debt by high street banks in the 1980's. The banks lent money with their return invested in the long-term economic success of the borrowing country. The debts that have since been written-off by high street banks may signal that this type of investment is not as attractive in practice as it is on paper.

Jeff Rooker MP, 1993, *Opportunity and Achievement*

Proposals

Published amidst controversy within the Labour Party, this paper points to proposals for the future development of higher education rather than pointing to specific funding proposals. The paper concentrates on raising issues concerned with the funding of not only the higher education sector but also funding within the further education sector, with reference to the principles of equity, quality, continuity, access and accountability. Various issues concerning the changing nature of higher education, are tackled within the paper and much is said about what is wrong with the current system, just as several alternative funding options are criticised and discarded. The significance of this paper lies in its exploration of principles historically attached to the funding debate.

Access to higher education has been a major government policy initiative throughout the late 1980's and the early 1990's. Rooker argues that access has been based on a rather limited principle. The Robbins principle of access, to all those who are qualified for higher education and are able to benefit from it, is the fundamental starting point taken in any liberalist view of higher education. Rooker casts the net far wider.

> We should no longer, in the name of social justice, commend education policies post-school on the basis that opportunity is promised to all those who "can benefit from it". The underlying assumption that many cannot benefit has to be unacceptable to Labour. (p. i)

The paper fundamentally challenges the model of higher education as dependent on the traditional three-year, full-time route. Consequently, it questions funding models that take the full-time model for granted as a starting point. The issue of access stretches further than participation in this type of higher education experience.

Rooker's comprehensive analysis of the funding of higher education finds that not only is there a vast funding gap between the students in the higher education sector and students in the remainder of the education system, but within higher education funding there is severe inequities between the funding of higher education students. A full-time student in further education costs the state an average of £2700 per annum, whereas a full-time undergraduate at university costs between £6000 and £9000 per annum. Full-time undergraduates get their tuition fees paid, can apply for a maintenance grant and have access to a heavily-subsidised loan system. Part-time students and Open University students receive no form of financial support unless they are lucky enough to have a local authority that still pays out discretionary grants or an employer committed enough to help out with tuition fees. This imbalance in the funding system arises from an antiquated view of the tertiary education system.

> Policy changes over the years have created these differences in funding procedures. Assumptions about eligibility and access to funding as currently applied belong to a bygone age. It is assumed that further education is always 'local' whereas higher education is always 'national' (and international). (p. iii)

Rooker argues that the current funding system has not helped to either promote, expand or increase access. 'It remains the case that students from economically disadvantaged households, measured by fathers' occupations, (Social Groups III, IV and V), are at almost the same proportion as in the 1960s before the recent expansion' (p. ii).

Evaluation

The funding options examined by Rooker include many of those reviewed above. Rooker opposes a graduate-tax because of its failure to take account of the diverse nature of higher education. A standard levy on higher education would not be fair to part-time students or distance learners. Top-up fees are discarded because of the fear of an emerging super-league of universities, with only the richest students able to afford to study at them. The Australian model (Appendix 3) is once again quoted as a flexible contribution scheme allowing education to remain free at the point of entry, the argument that is raised here is our historic commitment to free education. Ultimately, it is this commitment that is cited in opposition to any one of these funding options. However, what is made clear in *'Opportunity and Achievement'* is that 'free' education has been limited to an élite sector of full-time students. Whilst those students may not have felt as if they were receiving the best of the funding system; student hardship is no myth, it is the inadequate organisation of these funding mechanisms that have let all students, in both higher and further education, down. 'The principle, however, is clear. Inequity has to be removed and the system has to be paid for, some time by someone' (p. iv).

Summary of funding options

The funding options discussed vary considerably in how they relate funding to any vision of the future of higher education. There is a marked reluctance to fundamentally address the likely future shape of higher education. Where a more flexible future is envisaged there is little attempt to move beyond a limited manipulation of the current funding system, which is designed for an élite, full-time, three- year undergraduate experience (Table 10).

The options are, similarly, frequently indecisive about the difference between maintenance costs and fees. The empirical research shows that students (at UCE) have different views about the balance of responsibility for these two elements.

All the options advocate, or admit, the inevitability of an increased student contribution to the cost of higher education. There are two key issues that thus have to be faced. First, should higher education continue to be free at the point of entry? All those reviewed, with the exception of the CHES report, maintain that principle.

Second, if students pay in some form, how is the payment to be collected. Of those who confront this issue directly, some form of post-undergraduate repayment is advocated. These range from regressive, flat-rate loan repayments through triggered national-insurance linked repayments to progressive income-related repayments via the national insurance or tax system. A flat rate for life graduate premium on tax was suggested by Lincoln and Walker, but this is, on inspection, less progressive than it might at first seem.

In the main, the reports argue for a proportion of the cost incurred to be repaid once the graduate is in employment, rather than an unlimited repayment via a graduate tax.

Currently, the students surveyed were more in favour of a student contribution (to maintenance) than a graduate contribution. However, in the context of the survey, respondents may have inferred a graduate contribution to imply a graduate tax for life.

The proposals, although alluding to part-time study, are remarkably reticent to suggest ways in which part-timers can be treated equally. Only Jeff Rooker and the Commission for Social Justice make any effort to spell out the principles of equitable treatment of part-time students in a future flexible system of higher education. The sole proposal is the Commission for Social Justice's 'Learning Bank' which shifts the emphasis from courses to modules (or units of study). The flexibility it offers in terms of mode and level of study is the only concrete proposal that also extends the debate to post-graduate study. In an increasingly flexible post-compulsory education system an approach similar to the 'Learning Bank' may be the only way to manage the range and diversity of provision, and student requirements, in an equitable way.

Table 10: Key elements of funding proposals

	1	2	3	4	5	6	7
Student/graduate contribution	••	••	••	••	••	••	••
Free at point of entry	••	••		••	••	••	••
Increased support for PT and OU students		•		•	••	••	
Return of contribution to HE	••		••		••		
Contribution related to costs		••	••	••	••	••	••
Income-dependent repayment scheme	••	•		••	••	••	
Privatise Student Loans Company		•		••			
Means-test student loans		••					
Retain means-tested maintenance grant	••	••	••	••			••
Relies upon parents/ spouses support		••	••				••
Charges for tuition	••		••	••	••	••	
Finite repayment scheme		••	••	••	••	••	••
Repayment through National Insurance				••	••	••	
Repayment through tax	••						
Repayment through monthly direct debit		••				••	••

• mentioned in proposal •• detailed in proposal

Key	Author
1	Lincoln and Walker
2	Confederation of Business and Industry
3	Centre for Higher Education Studies
4	Commission for Social Justice
5	London School of Economics
6	Jeff Rooker
7	Current funding arrangements

Chapter 7

RECOMMENDATIONS

The survey undertaken at UCE reflects an overwhelming desire for reform of higher education funding amongst the full-time student community. The analysis in several of the papers reviewed, shows that full-time undergraduate students currently receive the cream of the funding, both in terms of tuition fees paid and in direct financial support. From the research carried out within the Centre for Research into Quality, not only the student financial support survey contained within this report but also the extensive research through the *QHE* project, there are a number of principles that should inform a funding system of the future.

- The funding system should be *designed* for a mass higher education system.
- Education funding should be a partnership between state, student and industry — all have direct tangible benefits.
- Education should remain free at the point of entry.
- Funding should facilitate life-long learning, and not the traditional three-year full-time degree.
- The administration of higher education funding should be made both more efficient and more accountable.
- Distance learners and part-time students should have the same rights of access to funding as full-time students.
- Full-time students should have access to an increased level of maintenance support.
- Graduates should contribute towards the cost of their education.
- Any graduate contribution should be returned to the higher education sector.

The funding options reviewed in this report address all these issues (in part) between them. Political and public acceptance of the fundamental issue raised in this debate, that of a graduate contribution, is essential if the debate is to be moved forward. MORI polls carried out recently on behalf of the *Times Higher Educational Supplement*, indicate that two thirds of the public agreed with the proposition that "students from well off families should contribute to tuition costs" (MORI/ THES, 1995). A large number of full-time students at UCE accept a student or graduate contribution towards the cost of their maintenance but not significantly greater than the contribution that is already made at present through the student loans scheme.

UCE students do not indicate their acceptance of a further contribution towards the cost of their tuition fees. However, if additional money is to be raised to expand higher education and to address current inequities within the funding system such as the arrangements for part-time students, then full-time students may have to contribute more so that government funding can be shared more equally amongst all higher education students. An analysis of the views of part-time students with regard to who they think should hold responsibility for funding is urgently required.

The international experience of funding a mass higher education system should be acknowledged and reflected upon in the search for a solution to funding problems. Within Europe those countries who, like Britain, have traditionally supported free tuition at universities are now having

to re examine the economic feasibility of such principles. According to DES (1991) figures, the UK is the highest spender within the European community on its student financial support package and is behind only Germany, Denmark and the Netherlands in its contribution to the total funding of higher education.

Proposals to introduce tuition fees payable by students have been put forward by university rectors in Germany and acceptance has been gained amongst some political parties (Brookman, 1994). In France, tuition remains free but there is increasing pressure on the government from both academics and students to increase resources to relieve overcrowded classes. Italian students already contribute towards the cost of their tuition fees. However, recent increases in fee charges, has provoked protest amongst the student community (Bompard, 1994).

The Australian model (Appendix 3), has not been free of criticism from Australian students. Despite the contribution system raising A$1 billion (projected 1995), proposals have been put forward that involve students paying higher charges towards their tuition fee costs (Maslen, 1994). How these increases impact on participation requires a thorough evaluation.

Other countries appear to be turning to students and graduates to raise the additional money necessary to fund the massification of higher education, this transition will neither be smooth nor uniform. However, despite the attraction of higher education, any investment that a student may make in their education has to be worthy of the educational experience that they receive. Despite employment chances increasing with graduate status, graduate unemployment, in Britain at least, remains high, and graduate starting salaries remain low. The increased investment that students make in their education will enforce their role as partners in the future education system, their expectations of higher education may increase with the contribution that they make to the funding of it.

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Appendix 1

UCE Centre for Research into Quality
Student Satisfaction

Student Financial Support Survey

Student Satisfaction is a permanent and integral part of UCE's quality assurance procedures. The aim is to regularly present the 'student voice' to the Vice-Chancellor, Deans, Heads of Services and many other members of the University in an attempt to ensure that issues important to students are fully discussed and, whenever possible, action taken.

This survey has been prompted by a recent Guardian graduate survey that looked, amongst other areas, at the financial position of full-time students. The Centre wishes to survey UCE students and gain accurate information regarding their financial position and also their opinion with regard to the funding of higher education. This information will be used to compare the experience of full-time students at UCE against their national counterparts.

We would prefer that the individual responses remain anonymous, in order to protect confidentiality. Therefore, we would ask you not to attach your name to any returned survey.

1) Which of these phrases comes closest to your feelings about your living standards these days?

- Living comfortably on present finances ☐
- Coping on present finances ☐
- Finding it difficult on present finances ☐
- Finding it very difficult on present finances ☐

2) Which sources of income do you receive (please specify amount) ?

- Local authority grant £____
- Parental/spouse contribution £____
- Sponsorship £____
- Student loan £____
- Salary £____
- Access fund £____
- Hardship fund £____
- Bank/building society loan £____

3) How many hours per week do you undertake paid part-time employment?

- None ☐
- 1—5 ☐
- 6—10 ☐
- 11—15 ☐
- 16+ ☐

4) To which of the following, if any, do you owe money?

- Student loans company ☐
- Bank ☐
- Parents ☐
- Credit/store cards ☐
- Friends ☐
- Other family members ☐
- Building society ☐
- University ☐
- Other ☐
- None of these ☐

5) And, for each of those to whom you owe money, please give an approximate estimate of the sum that you owe.

	£
Student loans company	£
Bank	£
Parents	£
Credit/store cards	£
Friends	£
Other family members	£
Building society	£
University	£
Other	£

6) And overall, how much money do you owe?

- Up to £500 ☐
- £501—£1000 ☐
- £1001—£1500 ☐
- £1501—£2000 ☐
- £2001—£2500 ☐
- £2501—£3000 ☐
- £3001—£3500 ☐
- £3501—£4000 ☐
- £4001—£5000 ☐
- £5001—£10000 ☐
- £10001+ ☐

7) How would you describe your overall financial position?

- Easily in credit ☐
- Slightly in credit ☐
- Slightly overdrawn ☐
- Very overdrawn ☐

8) Do you consider that the system of funding higher education needs reforming?

- Yes ☐
- No ☐
- Don't know ☐

9) What level of responsibility (as a percentage) should the following have for the funding of higher education?

	Fees	Maintenance
Government	☐ %	☐ %
Student	☐ %	☐ %
Graduate	☐ %	☐ %
Industry	☐ %	☐ %
Other (please state)	☐ %	☐ %
	100%	100%

10) Please choose a statement that best describes your attitude in regard to your future employment prospects.

- Very worried ☐
- A little concerned ☐
- Ambivalent ☐
- Quite confident ☐
- Very optimistic ☐

11) How would you describe the impact your financial status has on your academic work.

- Major positive impact on performance ☐
- Minor positive impact on performance ☐
- No impact either way on performance ☐
- Minor negative impact on performance ☐
- Major negative impact on performance ☐

In order to analyse the responses in further depth we would be grateful if you would complete the box below.

Course:

Level of study: Undergraduate ☐ Postgraduate ☐ Other ☐

Year of Study: 1st ☐ 2nd ☐ 3rd ☐ 4th ☐

Gender: Female ☐ Male ☐

Age: 18-20 ☐ 21-25 ☐ 26-40 ☐ over 40 ☐

Thank you for your time in completing this questionnaire.

Appendix 2
Characteristics of sample

Table 13: Breakdown by faculty

Faculty	%	n
Birmingham Institute of Art and Design	12.2	139
Business School	11.8	134
Built Environment	7.6	86
Computing and Information Studies	5.5	63
Conservatoire	3.4	39
Health and Social Sciences	10.9	124
Engineering	16.6	189
Education	31.6	360

Table 14: Breakdown by year of study

Year	%	n
1st	42.2	478
2nd	33.1	375
3rd	18.2	206
4th	6.6	80

Table 15: Breakdown by gender

Gender	%	n
Male	40.5	655
Female	59.5	444

Table 16: Breakdown by age

Age	%	n
18-20	46.3	519
21-25	34.8	390
26-40	15.8	177
over 40	3.0	34

Appendix 3

The Australian Model

The Australian Government established the Committee on Higher Education Funding in order to investigate ways of funding growth in the higher education system. The Committee examined practice overseas, including voucher systems and top-up tuition fees. In 1988 the Committee reported back recommending the establishment of a Higher Education Contribution Scheme (HECS). The scheme requires students to contribute around 20 per cent of the average total costs incurred by the Commonwealth Government. In June 1988 this contribution amounted to $1800 (approx. £1000). Originally the Committee recommended that the contribution should be three tiered and relate to the course costs incurred by students. However, the Government decided on a single flat-rate contribution. The scheme was finally introduced in January 1989 with a flat rate contribution of $1800 for a full-time student undertaking a standard programme of study.

The contribution is not a lifetime surcharge on taxation, but an income contingent scheme in which students repay their contribution only when their taxable incomes exceed average weekly earnings. The annual contribution is adjusted annually in line with the Higher Education Operating Grants Index. Students do have the option to pay their contribution up-front and are now given a 25% discount for doing so. In 1991 the discount was only 15% but, 24% of students still opted to pay their contribution up-front.

There are exemptions from the HECS for post-graduate and international students and for students whose employers pay their tuition fees.

Students have access to a grant scheme to cover their maintenance costs whilst studying.

The impact of the introduction of the HECS has been monitored by the Higher Education Council and the National Board of Employment, Education and Training. Following research commissioned by the Higher Education Council, it was revealed that the HECS was only a middle ranking factor in the decisions made by individuals when considering entering higher education. The Council concluded that the HECS had not had an adverse impact on the size of the system as a whole.

Centre for Research into Quality Publications

Publication	Price (inc UK p&p)	Quantity ordered	Quantity x Price
Student Expectations: A Longitudinal Study Decenber 1995, ISBN 1 85920 109 1	£10		
The Role of Professional Bodies in Higher Education Quality Assurance November 1995, ISBN 1 85920 108 3	£15		
The 1995 Report on the Student Experience at UCE September 1995, ISBN 1 85920 004 4	£16		
The 1995 Report on the Student Experience at UCE: Statistical Supplement September 1995, ISBN 1 85920 005 2	£4		
Funding Higher Education: Student Perspectives May 1995, ISBN 1 85920 107 5	£8		
TQM and the New Collegialism March 1995, ISBN 1 85920 105 9	£8		
Proceedings of the Third QHE 24-Hour Seminar February 1995, ISBN 1 85920 110 5	£5		
The 1994 Report on the Student Experience at UCE September 1994, 92 pages, ISBN 1 85920 002 8	£16		
The 1994 Report on the Student Experience at UCE: Statistical Supplement September 1994, 54 pages, ISBN 1 85920 003 6	£4		
Employer Satisfaction June 1994, 100 pages ISBN 1 85920 103 2	£15		
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